

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 58th LEGISLATURE - REGULAR SESSION

JOINT APPROPRIATIONS SUBCOMMITTEE ON NATURAL RESOURCES AND COMMERCE

Call to Order: By **CHAIRMAN JEFF PATTISON**, on January 20, 2003 at
8 A.M., in Room 317-C Capitol.

ROLL CALL

Members Present:

Rep. Jeff Pattison, Chairman (R)
Sen. Edward Butcher (R)
Rep. John Musgrove (D)
Sen. Linda Nelson (D)
Rep. Rick Ripley (R)
Sen. Debbie Shea (D)

Members Excused: Sen. Bill Tash, Vice Chairman (R)

Members Absent: None.

Staff Present: Kelly Gorin, OBPP
Elaine Olsen, Committee Secretary
Doug Schmitz, OBPP
Todd Younkin, Legislative Branch

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed. Tape
stamp refers to the material which follows.

Committee Business Summary:

Hearing & Date Posted: Agriculture, 01/20/2003
Executive Action: None

{Tape: 1; Side: A; Approx. Time Counter: 1 - 14}

Todd Younkin, Legislative Fiscal Division (LFD), presented a handout showing budget reductions to meet target and explained the format to the Committee.

EXHIBIT(jnh11a01)

Ralph Peck, Director, Department of Agriculture (DOAg), said the Department is one of two in the state that was established by the State Constitution. The Department is comprised of three divisions and is funded by State Special, federal, proprietary and General Funds. The funding is allocated to over 30 areas.

EXHIBIT(jnh11a02)

Director Peck stated that the noxious weeds funding accounts for 35 percent of the budget and that check-off programs for alfalfa seed, wheat and barley, and mint account for another 15 percent. These are pass through monies.

Director Peck stated that the difference between the executive proposal for FY04 and FY05 and the 2000 base is caused by the addition of \$101,341 of General Fund for the Noxious Weeds Program. The Legislature appropriated the money for use in controlling weeds on the lands adjacent to state park lands. The funds are distributed to counties through grants.

Director Peck outlined proposed Department reductions beginning with the removal of the Noxious Weeds Grants program. In addition, HB62 would make the Apiary program completely self-funding. These changes exceed the targeted reductions by \$36,505 in FY04 and \$70,677 in FY05.

Director Peck reported that the Central Management Division accounts for 7.04 percent of the budget; Agricultural Development, 28.41 percent; and Agricultural Sciences, 64.55 percent. **Director Peck** introduced Frieda Hauser, Administrator for the Central Management Division.

{Tape: 1; Side: A; Approx. Time Counter: 14 - 16}

Frieda Hauser, Administrator, Central Management Division, DOAg, stated the Division is funded by 6.9 percent federal funding, 6.2 percent proprietary, 24.5 percent General Fund, and 62.4 percent State Special Revenue. Programs include Personnel and Payroll,

Audit Fees, Legal, Accounting and Budgeting, Information Technology and the Director's Office.

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Greg Ames, Administrator, Agricultural Sciences Division, stated his Division is made up of three bureaus. State Special Revenue provides 59.3 percent of the funding, federal sources provide 39.1 percent and General Fund provides 1.6 percent.

Greg Ames gave a brief description of the 17 programs which are handled by his Division. The General Fund portion of the Division increased in FY02 to a total of \$160,981 with the addition of the noxious weed program.

{Tape: 1; Side: B; Approx. Time Counter: 1 - 7}

CHAIRMAN PATTISON asked what extra costs the Department had experienced because of homeland security. **Greg Ames** replied that after 09/11 the ariel applicators were grounded. The federal government wanted to know who the applicators were and where they kept their chemicals and aircraft. The federal government also wanted to know where the nitrate was located. All agriculture producers in the state were contacted by letter regarding the federal government's "Be Aware Be Secure" program. The costs were absorbed by reallocating internal services.

CHAIRMAN PATTISON asked about the Department's involvement in the efforts to control the illegal use of anhydrous ammonia being used for methamphetamine production. **Greg Ames** said that this is an extensive problem, and the Department deals with the extension and agriculture community to address the issue. The fertilizer producers are taking the lead in educating their dealers, producers and consumers about the safety aspects of anhydrous ammonia. The Department has the responsibility to ensure through the inspection program that all of the several elements of the tank are secure and safe. If vandalism is noted through the inspection process, the local authorities are notified immediately.

{Tape: 1; Side: B; Approx. Time Counter: 7 - 15}

CHAIRMAN PATTISON asked about the Department's work with the Montana State University agricultural extension staff. **Greg Ames** stated that through the Agri Business Association information on safety and training is dispersed to the fertilizer users.

SEN. BUTCHER asked how many violations had been recorded. **Greg Ames** stated it was a significant problem but no specific numbers were available. **Director Peck** stated that county authorities are notified as soon as the issue arises. Research is ongoing for an additive which may deter the illegal activity.

CHAIRMAN PATTISON asked if the Department of Livestock worked with the Department of Agriculture on feed inspection. **Steve Baril** replied the DOAg's role is to determine that feeds are correctly labeled and contain the correct ingredients. Ingredients that would impact Mad Cow Disease are of special concern.

SEN. BUTCHER asked about Mad Cow Disease and the feed program. **Director Peck** replied that the Department is involved with consumer protection in that area. Department personnel inspect feeds through random sampling. The industry works closely with the Department.

{Tape: 1; Side: B; Approx. Time Counter: 15 - 30}

CHAIRMAN PATTISON asked where the analysis was done. **Director Peck** replied that samples are sent to a cooperative Laboratory.

Will Kissinger, Administrator, Agricultural Development Division, said that the bureaus in the Division are the Rural Development Bureau, the Agricultural Marketing and Business Development Bureau, State Grain Lab in Great Falls, and the Wheat and Barley Bureau. General Fund comprises 9 percent of the funding; special revenue, 77 percent; federal, 5.99 percent; and proprietary, 7.18 percent. Programs include alfalfa seed, wheat and barley, State Grain Lab, hail, ag statistics, marketing, and the Agricultural Development Council.

Mr. Kissinger said that General Fund portion of the budget has remained static at \$67,379.

REP. RIPLEY asked if the State Grain Lab used fees for its funding source. **Mr. Kissinger** stated that fees were the main funding, and the industry was very supportive of the Lab. A task force has come up with the some recommendations to try to support the Lab. A bill has been presented this session to try to assist the Lab. Fees have been increased.

{Tape: 2; Side: A; Approx. Time Counter: 1 - 11}

Todd Younkin said the LFD issue concerned the overall funding of the Central Management Division. The overall assessment of fund types does not appear to be equal. The Department does charge federal, State Special Revenue and proprietary fund 20 percent of personal services and 2.5 percent of grants, while the General Fund has basically been carried over in the base each year. The General Fund has grown to about 40 percent of the overall funding.

DP1

Todd Younkin introduced DP1, a request for operations and equipment, which includes operating costs for the State Grain Lab. The Department is projecting some costs based on an "average year." Costs and revenues in the base year were low and would not accommodate an average cost year. Also included in the DP is funding for an ethanol-fueled vehicle and some consulting and special services for a human resource project in FY05.

Director Peck stated the Department was withdrawing the request for the ethanol-fueled vehicle. The human resource contract request is for job descriptions to be developed by a private firm because the Department does not have a personnel officer.

{Tape: 2; Side: A; Approx. Time Counter: 11 - 30}

SEN. BUTCHER asked if the State Grain Lab could make up the surplus when the state experienced a normal production year.

Director Peck said during a good quality crop year, the Lab is quiet. The Lab is holding its own right now. The task force was unanimous that they wanted to keep the Lab open so the Wheat and Barley Board provided some funding. It appears the Lab will continue to struggle.

SEN. BUTCHER asked if some of the grain producers are working under contract with the two large grain purchasers operating in the state. **Director Peck** said that some growers were under contract. **SEN. BUTCHER** asked if "captive producers" are going to be using the State Lab more often. **Director Peck** said under state law a producer has a right to send their sample to the State Lab. There is a federally required appeal process that is final and binding. A private lab, National Quality Inspections, is aggressive with the grain elevators, trying to get the business of the two large grain companies in the state. The State Lab still does a lot of work with individual producers.

Director Peck said a federal licensing rule includes the word "merchandising" which changes the licensing and bonding of the

buyers and sellers of grain in Montana. **SEN. BUTCHER** commented that it appears the State Grain Lab may be the producers only independent option. **Director Peck** said that the Grain Task Force held the same unanimous opinion.

{Tape: 2; Side: B; Approx. Time Counter: 1 - 9}

DP2

Todd Younkin stated that DP2 was for Microsoft licensing, funded by State Special proprietary funding. **Director Peck** stated that the Department would like to reduce the request to \$8,640.

Todd Younkin reported an LFD issue with the DPs in the Ag-Sciences Division. The \$101,000 of General Fund for weed control showing in the Department base contains specific language directing the use of the funds. The Subcommittee might choose to retain the language.

DP3

Todd Younkin said DP3 addressed administrative costs for the Mint Committee. **Director Peck** said the per diem for the Committee is zero-based and is funded by a check-off program.

DP4

Todd Younkin stated that in DP4, noxious weed grants, the executive is requesting an additional \$300,000 each year in State Special Revenue authority. If the anticipated additional revenue is received, the Department needs the additional spending authority. DP6 is an administrative adjustment moving a budget from one reporting level to another.

DP9

Todd Younkin said that DP9, contracts for inspection of organic applicants, is from the State Special Revenue fund. The organic program has been switched from General Fund to state special, and this is an adjustment to accommodate that. DP14 addressed weed seed-free forage supply purchases increases State Special Revenue authority by \$1,600 each year for the purchase of supplies. Funding is from the State Noxious Weed Board Fund.

DP15

The Advisory Council's per diem of \$5,000 each year of State Special Revenue is in DP15. **CHAIRMAN PATTISON** asked about the anticipated additional travel. **Greg Ames** said the Organic Advisory Council has been added to the Department and would incur increased costs. The Council typically meets twice a year.

DP17, DP18

Todd Younkin described DP17, pesticide applicator training. The executive is asking for \$2,700 each year in State Special Revenue authority for operating costs for training for recertification for pesticide applicators. DP18 is waste pesticide disposal. The program disposal costs provides appropriation authority above the base year funding, returning it to a level of historical funding to accommodate the expenditures. Increased personal services and operational costs are funded.

CHAIRMAN PATTISON asked why the funding request was greater in one year than in other. **Director Peck** said the program is operated by region which differ in the amounts of waste incinerated.

DP19

DP19, field office rent contracts, is a request for additional State Special Revenue authority to pay for increased rent. **Greg Ames** said that the rent increased in the Missoula office and the relocation in one area will allow the Department to meet ADA requirements in that building.

{Tape: 2; Side: B; Approx. Time Counter: 9 - 12}

DP20

Todd Younkin said that DP20 is for the federal contract for feed inspections. The Department is asking for \$20,000 in federal special revenue authority each year. The authority will allow the Department to comply with laws that prevent the spread of Mad Cow Disease.

Present Law Adjustment

The final present law adjustment would restore produce inspector overtime. The request is for \$2,314 of State Special Revenue in each year. Overtime is a zero-based item, and the full amount shows up in the budget each biennium.

DP5

Todd Younkin stated that in DP5, EPA federal discretionary funding, the Department is projecting that an additional \$178,500 will be available each year and is requesting spending authority. **Director Peck** said the Department makes this request each legislative session because as federal funds become available, the agency purchases equipment.

DP7, DP10

Todd Younkin stated that DP7 addressed the organic program funding switch, moving the funding to state special from General Fund. DP10 is the United States Department of Agriculture (USDA) Cooperative Agricultural Pest Survey. The Department is requesting \$72,000 each year in federal special revenue authority to allow them to accommodate federal funds.

{Tape: 2; Side: B; Approx. Time Counter: 12 - 30}

DP13

Todd Younkin said that DP13, USDA/Forest Service Weeds and Fires grants, is an agency request for \$2 million in federal special revenue authority as a biennial appropriation which would allow them to fund grants for the control of noxious weeds. **CHAIRMAN PATTISON** asked how the grants were handled. **Director Peck** said the agency called for grant proposals which are then reviewed by Noxious Weed Advisory Council. **CHAIRMAN PATTISON** asked if there were parameters limiting the grants. **Director Peck** said the grants are limited to three areas: lands surrounding Fish Wildlife and Parks; weeds and fire money; and the general Noxious Weed Trust Fund grants. **REP. MUSGROVE** asked for the balance on the trust. **Director Peck** stated it is at \$4.7 million.

DP8000

Todd Younkin said DP8000 is the Apiary Fund switch. The agency is proposing to initiate a apiary fee for the biennium and it would be the total funding for Apiary Program. **Todd Younkin** said that the Committee could remove all of the General Fund from the program, provided it was replaced with a similar amount of State Special Revenue authority.

SEN. BUTCHER asked what change in policy had taken place to allow for the switch in funding. **Director Peck** said the HB62 would allow for the funding switch. The industry and agency have proposed a per-site fee rather than the per-hive charge used in the past. For a bee keeper to retain a site, it must be registered and be within the three-mile requirement. **SEN. BUTCHER** asked if it was necessary to have bees on the site to retain the registration. **Dan Sullivan, Bureau Chief**, said the bee keeper must have the bees on site for at least ten days in the season.

DP6

Todd Younkin began the Ag Development Division with DP6, an increase in federal authority of approximately \$185,000 each year

for marketing projects from the Western United States Trade Association and the Federal State Marketing Improvement program.

DP10

DP10 is an increase in proprietary funds for the State Hail Insurance adjustment to allow for anticipated increased expenditures from the Hail Fund. **CHAIRMAN PATTISON** asked Director Peck about a bill in this session being carried by REP. WITT which would increase some fees. **Director Peck** said that REP. WITT is carrying a bill which would raise the amount of coverage the State Hail Insurance could provide.

DP11

Todd Younkin said that DP11 provided State Special Revenue authority for the operating costs for the State Grain Lab. The agency anticipates increased spending needs.

DP16

DP16 is a request for restoration of State Special Revenue authority for \$9,000 in each year of the biennium for per diem.

{Tape: 3; Side: A; Approx. Time Counter: 1 - 10}

DP50

Todd Younkin said DP50 addresses the Coal Severance Shared Account. The executive is proposing to reduce the State Special Revenue authority for expenditures out of the account by 50 percent.

SEN. NELSON asked if this reduction would impact the Growth Through Agriculture program. **Todd Younkin** said that funding for the Growth Through Agriculture program was contained in part in the Coal Severance Shared Account.

Todd Younkin described the options available to the Committee through executive action in an effort to meet the General Fund reductions. **Director Peck** stated the agency had presented an option on the Weed Program. The Department supports the executive budget.

CHAIRMAN PATTISON stated that DOAg has little General Fund. He inquired where the Department might have other General Funds. **Director Peck** stated the Egg Program was important. The Department might be receiving federal fire and weed funding. The Central Management Division has some funding, but reductions there would impact the funding formula.

ADJOURNMENT

Adjournment: 12 P.M.

REP. JEFF PATTISON, Chairman

ELAINE G. OLSEN, Secretary

JP/EGO

EXHIBIT (jnh11aad)